

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 2000-387-E - ORDER NO. 2000-708

AUGUST 25, 2000

IN RE: Petition of Duke Power, A Division of Duke) ORDER APPROVING
Energy Corporation, for Approval of the) PROPERTY TRANSFER
Transfer of Property in North Carolina.)

This matter comes before the Public Service Commission of South Carolina (the Commission) on the Petition of Duke Power, a Division of Duke Energy Corporation (Duke or the Company), for approval of the transfer of two parcels of real estate (hereafter referred to as "Property") located in the Duke service area in North Carolina. Duke's request is made pursuant to S.C. Code Ann. Section 58-27-1300 (Supp. 1999).

By its Petition, Duke states that the Property in question is not required for current utility operations. Duke Energy Corporation and the Baptist State Convention of North Carolina have agreed to a sale of real property, containing 23.67 acres, more or less. The sale also involves a second parcel of property with the second parcel containing 7.73 acres, more or less.¹ The second parcel containing 7.73 acres, more or less, does not require Commission approval as the sale price is \$50,000.00.² The 23.67 acre parcel has

¹ With the Petition, Duke provided a plat, which described the parcels herein discussed. Also noted on the plat accompanying the Petition were three small parcels cumulatively containing 1.02 acres, more or less, which were previously sold to other purchasers for \$50,000.00. These three small parcels are not a part of the instant Petition.

² The sale of that parcel containing 7.73 acres is not a part of Duke's Petition. However, the 7.73 acre parcel is referenced as it is shown on the plat accompanying the Petition.

a value attributed to it of \$2,950,000.00. The cumulative result of these transactions is that Duke Energy Corporation has received or will receive \$3,000,000.00 for both of the parcels of property. The Company opines that these sales reflect a value which is approximately equal to, or slightly more than, the appraised fair market value of the Property. In support of the fair market value of the Property, Duke provided appraisal letters dated September 29, 1997, and April 14, 2000, by Thomas B. Harris, Jr., with T.B. Harris Jr. & Associates, an independent appraisal company located in Charlotte, North Carolina.

Duke asserts that the sale was a bona fide sale. The Property was not placed with a realtor for sale. However, several commercial realtors were shown the property, and a commission was offered if the Property was sold by the realtor. Duke also continued to show the Property. A number of leads were developed which ultimately led to the sale to the Baptist State Convention of North Carolina.

Duke also advises the Commission that the original cost of the Property being sold will be credited as a reduction of the amount carried upon the books of the Company under Account 101, Electric Plant in Service. The difference between the sale price and the original cost of the parcels will be applied to Account 421.10, Gain on Disposition of Property or Account 421.20, Loss on Disposition of Property.

With the filing of the Petition with the Commission, Duke acknowledged that it had served a copy of its Petition on the Consumer Advocate for the State of South Carolina.

Upon examination of the proposed transaction, the Commission makes the following findings:

1. S.C. Code Ann. Section 58-27-1300 (Supp. 1999) entitled “Disposition of properties, powers, franchises or privileges ...” governs the proposed transaction. Section 58-27-1300 requires an electrical utility to obtain approval from the Commission prior to selling utility property, except that utility property with a fair market value of one million dollars or less may be disposed of without prior approval of the Commission.

2. S.C. Code Ann Section 58-27-1300 (Supp. 1999) does not require a hearing on Petition filed pursuant to Section 58-27-1300 but makes a hearing discretionary.

3. Duke provided a copy of its Petition to the Consumer Advocate for the State of South Carolina as required by S.C. Code Ann. Section 58-27-1300 (Supp. 1999).

4. The purchase price of the Property is at or slightly above the fair market value of the Property. The exhibits to the Petition indicate that the fair market value of the Property is between \$2,589,600.00 and \$3,013,300.00. The total price of \$3,000,000.00, which the Company will receive from the sale of 23.67 acres parcel and the sale of the 7.73 acre parcel, is supported by the appraisal.

5. The sale to the Baptist State Convention of North Carolina is a bona fide sale. Although the property was not listed with a realtor, the Company provided opportunity for several commercial realtors to sell the property. Incentive was also present as the Company offered a commission to a realtor if a realtor sold the property.

6. The Commission finds that the accounting treatment proposed by the Company is appropriate. The proposed accounting treatment is that the original cost of the parcels being sold will be credited as a reduction of the amount carried upon the books of the Company under Account 101, Electric Plant in Service. The difference between the sale price and the original cost of the parcels will be applied to Account 421.10, Gain on Disposition of Property or Account 421.20, Loss on Disposition of Property.

7. The Commission finds that a hearing in this matter is not necessary. S.C. Code Ann. Section 58-27-1300 (Supp. 1999) provides that a hearing may be held at the Commission's discretion. The Commission finds that no hearing is necessary as Duke has shown that (1) the sale is a bona fide sale and (2) that the purchase price meets or slightly exceeds the appraised value of the Property

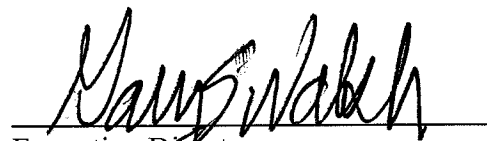
Based upon the above findings of fact, the Commission concludes that Duke has complied with the requirements of S.C. Code Ann. Section 58-27-1300 (Supp. 1999) and that the requested transfer of the Property should be approved. Accordingly, the Commission approves the requested transfer. Further, while the Commission approves the accounting treatment of the Property being sold, the Commission reserves any ratemaking treatment until such time as an appropriate rate proceeding is undertaken.

This Order shall remain in full force and effect until further Order of the
Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)